## **BEFORE THE** UNITED STATES OF AMERICA FEDERAL TRADE COMMISSION

Comments Regarding	)	Docket No. 1/010002
Retail Electricity Competition	)	Docket No. V010003
	_)	

## Comments of the **National Rural Electric Cooperative Association**

Pursuant to the Federal Trade Commission's (FTC) Notice Requesting Comments on Retail Electricity Competition Plans, 1 the National Rural Electric Cooperative Association (NRECA) submits the following comments.

NRECA is a not-for-profit national service organization, representing 930 rural electric systems providing central station electric service to more than 34 million consumers in 46 states. Of these rural systems, 60 are generation and transmission (G&T) cooperatives, which are owned by and serve approximately 695 of 870 distribution systems.

Rural electric cooperatives (RECs or cooperatives) are not-for-profit, cooperatively run organizations dedicated to bringing reliable, affordable electric energy to their members. Cooperatives are owned and governed by the consumers they serve. Kilowatt-hour sales by RECs amount to 9% of total electricity sales in the United States.

<sup>&</sup>lt;sup>1</sup> Request for Comments Concerning the Results of Different Regulatory Approaches to Restructuring the Retail Sale of Electricity, 66 Fed.Reg. 13,536, March 6, 2001.

The G&T cooperatives collectively generate approximately 50% of the power sold by the distribution cooperatives at retail; of the remainder, about half is purchased from federal power marketing agencies, and about half from the wholesale market.

#### **CONTACT INFORMATION**

If you have any questions concerning these comments, please contact:

Wallace Tillman
Vice President, Energy Policy and General Counsel
Pamela Silberstein
Senior Regulatory Counsel
National Rural Electric Cooperative Association
4301 Wilson Boulevard, EP 11-253
Arlington, VA 22203
(703) 907-5837
pam.silberstein@nreca.org

#### **OVERVIEW STATEMENT**

NRECA welcomes the Commission's investigation of the status of retail electric choice programs. Given the well-documented problems experienced in California and how those problems have spread to numerous other Western states, as well as problems experienced in other parts of the country, an examination of the failures and successes of state retail choice programs is both necessary and timely.

Before responding to the Commission's specific questions as set in the March 6

Federal Register notice, NRECA believes it is worthwhile to state – or restate, as the case may be – a fundamental principle. That is, electricity is an essential public service.

Although some might argue that electricity can also be a commodity that is bought, sold, and traded, it can never be forgotten or ignored that first and foremost, electricity is a utility service essential to the public health and welfare.

Because electricity is an essential public service, any system of governance, whether it be traditional, cost-based regulation, some form of regulation-"lite", or an unfettered open market, must achieve the same result: reliable, universal service at a reasonable rate. This principle is enshrined in virtually every state and federal statute that addresses public utility service.<sup>2</sup>

Competition is not, therefore, the "be-all and end-all" goal of industry restructuring. The goal of introducing competition to retail electric markets is the same as the goal under traditional cost-based rate regulation: reliable, universal service at a reasonable rate. Competition is worthwhile only to the extent that it effectively achieves that goal.

While progress on state restructuring is likely to enter a hiatus, given recent events in California and the West, it is more important than ever that state and federal policymakers concentrate their efforts on addressing market power and other flaws in the wholesale market.

. NRECA does not believe that a delay in state restructuring is a significant problem, nor is it a problem if only half the states have moved forward with retail choice while the other half have not. Excessively high prices and lack of reliability will continue to plague retail markets if vertical and horizontal market power problems in the wholesale power market are not addressed. True retail choice will never occur if there is insufficient generation; concentration of generation ownership in too few hands; insufficient transmission; and ongoing discrimination in transmission access.

Events in California also have underscored the necessity for independent and effective market monitoring. The California experience of skyrocketing prices combined

<sup>&</sup>lt;sup>2</sup> See, generally, 27A Am. Jur 2d § 194; 64 Am Jur 2d § 16.

with nearly continuous threats of outages, has led most of the public to equate "deregulation" with "price-gouging." For policymakers, the question is what constitutes market exploitation, which may seem immoral but is not unlawful, and has to be understood so that the market can be appropriately restructured; and, what constitutes market manipulation, which should be swiftly identified, terminated, and penalized severely enough to prevent or deter future occurrences.

NRECA's member cooperatives around the country have widely varying opinions of and responses to state retail choice programs. In a number of states, such as Arkansas, Arizona, Delaware, Maryland, Michigan, New Hampshire, and Virginia, the cooperatives are implementing retail choice in a manner largely similar to the investor-owned utilities in those states. In other states, such as Illinois, Montana, Ohio, and Texas, the cooperatives have the ability to choose to "opt in" to retail choice. As of this writing, only a few cooperatives in those states have elected to opt in at this time; most are waiting to see what happens.

<sup>3</sup> See "Who Turned The Lights Out?", Fortune, Feb. 5, 2001, p. 110:

<sup>&</sup>quot;What California never counted on was that energy generators might decide not to play the game that legislators and regulators had designed. That was the fatal flaw of the state's deregulation plan. Instead of offering the output of their plants to the Power Exchange at a little more than the cost of generating it, they offered to sell power only at sky-high prices, or not at all. In other words, instead of thinking like a regulated utility, the private power generators were thinking like – surprise! – sellers looking for the best price."

Given these varying experiences in the states, NRECA's members have widely divergent opinions on the pros and cons of retail choice programs. For that reason, NRECA has refrained from answering most of the state-specific questions, and has limited itself to responding to those questions (highlighted in **bold**) that raise more general issues.

## **History and Overview**

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# 3. What factors or measures should the Commission examine in viewing the success of a state's retail electricity competition program? How should these measures be evaluated?

The two overriding criteria the Commission should examine are price, and quality of service. As noted above, competition for its own sake is not an appropriate goal when the subject of the competition is an essential public service like electricity. A state's retail electricity competition program should only be deemed a "success" if it is conclusively shown that the program has resulted in lower prices to ultimate consumers through competition, and not as a result of temporary, state-mandated rate cuts. In addition, consumers should be enjoying the equivalent or better service in terms of reliability. To explore these issues, the Commission should seek answers to the following questions:

- (i) Have prices for electric generation gone down, in real or comparative terms, as a result of the implementation of retail competition?
- (ii) If prices have gone down, to what extent is this actually the result of retail competition, versus the result of a state-mandated rate cut?
- (iii) If prices have gone down, have they gone down uniformly across the state, in all areas of the state, and for all customers? If the answer is yes, to what extent is this actually the result of retail competition, versus the result of a state-mandated rate cut?

Since the success of a retail choice program depends in large part upon having a critical mass of participating, competing suppliers, the Commission should also look at the extent to which **real** choice of suppliers actually is available. For example, the number of suppliers registered to serve in a state is meaningless. In most states with retail choice underway, there are more suppliers registered to serve than there are suppliers actually serving or soliciting customers.<sup>4</sup>

In addition, of those few suppliers actually serving customers, even fewer – in many cases, none – are serving or soliciting residential or rural customers. This presents a number of challenges, not the least of which is: how to reconcile the nature of electricity as an essential service, with the structure of a competitive market. No state has imposed a "serve one, serve all" type requirement upon alternative suppliers, and indeed, such a requirement could be considered fundamentally incompatible with a competitive market. Nevertheless, all customers must have at least one entity that is charged with supplying this essential service. The Commission should examine how to reconcile these competing goals.

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<sup>&</sup>lt;sup>4</sup> For example, see the Pennsylvania Public Utility Commission website, http://puc.paonline.com, which lists all companies licensed to be competitive electric suppliers in the state at http://puc.paonline.com/electric/eleclist.asp. On March 29, 2001, there were 85 companies listed, including aggregators, brokers, and marketers, as well as generators and suppliers. However, it has been well documented in both the general and the trade press that only a handful of these were ever actively participating in the Pennsylvania retail market; and that recently, all but one or two suppliers have pulled out of the state altogether. See, e.g., "Only Discount Power Supplier For Much of State Pulls Out,", Allentown, PA, Morning Call, Jan. 23, 2001, p. A1.

#### **Consumer Protection Issues**

6. Did the state place any restrictions on the ability of a utility's unregulated affiliate(s) to use a similar name and/or logo as its parent utility, in order to avoid consumer confusion when the affiliate offered unregulated generation services? Why or why not? What has been the experience to date with the use of these restrictions? Are consumers knowledgeable about who their suppliers are?

More than twenty states to date have adopted some form of restriction on the marketing activities of unregulated utility affiliates engaged in energy services.<sup>5</sup> The vast majority of these require the affiliate engaged in an unregulated activity to use some sort of disclaimer language stating that the affiliate and the utility are separate companies, that the affiliate is not state regulated, and that the consumer need not buy goods or services from the affiliate in order to be able to continue to receive regulated distribution service from the utility.

A very few states initially considered an outright ban on the unregulated affiliate's use of the utility's name and logo, but none ultimately pursued it. This is an appropriate response. It is clearly not a justifiable exercise of state regulatory authority to dictate to a company, whether affiliated with a utility or not, what its name might be. In fact, experience has shown that a number of companies have chosen to change their names anyway, or to have different names for their regulated and unregulated divisions. This is a business decision best left to those companies.

<sup>&</sup>lt;sup>5</sup> These states include Arizona, Arkansas, California, Connecticut, Illinois, Kentucky, Maine, Maryland, Massachusetts, Montana, Nevada, New Hampshire, New Jersey, New Mexico, New York, Ohio, Pennsylvania, Texas, and Virginia. Marketing restrictions are typically imposed through "code of conduct" or "affiliate transaction" rules.

<sup>&</sup>lt;sup>6</sup> For example, the Nevada PUC initially issued a rule banning the affiliate's use of the utility's name and log, but this was later overturned by state legislation.

NRECA suggests that consumer confusion is heightened, not eased, when utility affiliates are forced to use completely different names. If the company does not identify itself as an affiliate of the utility, then the consumer really has no idea whom s/he is dealing with.<sup>7</sup> In addition, we caution state and federal regulators not to tip the scales so far in the direction of "leveling the playing field," that utility affiliates are left unduly disadvantaged. Nonutility suppliers competing with utility affiliates are **not** subject to **any** of these restrictions. Nonutility suppliers may use the same name and logo, may participate jointly in marketing and solicitations, and may tie one service offering to another without limitation.<sup>8</sup> Some national retailers that engage in extensive advertising have names and logos that are likely to be as well known to the television-watching public as the name and logo of their local utility.

NRECA also suggests that the mandate that utility affiliates use disclaimer language be tempered by a rule of reason. Some disclaimers are very long, for instance. This poses a practical problem for the utilities and their affiliates: how to display the disclaimer language in a meaningful, i.e., readable manner. It is one thing to put the disclaimer on letterhead or on the side of a utility truck; it is quite another to have it appear in microscopic type on the back of a business card, or on the side of a pen or golf ball or some other type of promotional item.

7. Did the state place any restrictions on third-party or affiliate use of a utility's customer information (e.g., customer usage statistics, financial information, etc.)?

<sup>&</sup>lt;sup>7</sup> At the FTC conference entitled "Market Power and Consumer Protection Issues Involved with Encouraging Competition in the U.S. Electric Industry," held in September, 1999, Massachusetts Commissioner Paul Vasington emphasized this point in his remarks when he noted that most consumers do not know the corporate affiliations of the "10-10-xxx" long-distance phone companies, and hence are deprived of the information they need to make an informed choice regarding their long-distance supplier.

<sup>8</sup> While it would never be appropriate to tie or in any way condition the provision of monopoly distribution service, other competitive services can be bundled in innovative ways to attract consumers, in a manner consistent with fostering both retail competition and consumer protection.

What were the reasons for enacting the restrictions? What has been the effect of these restrictions on new marketing activity?

Most of the states listed in response to Question 6 in footnote 2, above, included provisions in their codes of conduct that prohibit discrimination in the treatment of competitors regarding access to customer information. In other words, if a utility was going to make certain information available to an unregulated affiliate, it had to make the same information available at the same time to the affiliate's competitors.

NRECA supports this non-discrimination principle. However, as a threshold matter, NRECA believes that consumers have a right to privacy concerning their personal information. No private entity, whether it be a utility, utility affiliate, or third party, should have the right to access or release a consumer's personal information for commercial purposes without that consumer's prior, verified consent. Further, NRECA does not support so-called "negative check-off" information disclosure mechanisms, under which consumer information automatically is released to outside entities, such as marketers, unless the consumer takes some action to prevent his or her information from being released.

#### **Retail Supply Issues**

- 1. What difficulties have suppliers encountered in entering the market? What conditions/incentives attract suppliers to retail markets? Have suppliers exited the market after beginning to provide retail service? If so, why?
- 2. What are the customer acquisition costs and operational costs to service retail customers? How do acquisition and operational costs compare to profit margins for electric power generation services? Do retail margins affect entry? If so, how? Did the state harmonize the procedures suppliers use to attract and switch customers with other states' procedures, in order to reduce suppliers' costs?

NRECA would reframe this question to ask, what are the difficulties some utilities – cooperatives, for example -- have encountered in attracting suppliers to serve in their markets. While question 2 above focuses on the "customer acquisition and operational" costs on the supply side, it is equally important to look at the costs incurred on the distribution side to implement systems that will accommodate retail access. Both of these raise complex issues.

A question that asks "what conditions/incentives attract suppliers to retail markets" presupposes that suppliers must have incentives in order to enter a retail market. That insight demonstrates one of the peculiar features of state retail electric choice programs to date: that is, it is not really "customer choice" at the outset. It is, at least initially, supplier choice, because it is the supplier who chooses which markets to enter, and which customers or customer classes to serve in those markets it chooses to enter. Customers only get "choice" after the suppliers have made all those initial decisions.

Residential customers have proven to be the market of least interest to alternative suppliers. This was pointedly demonstrated as far back as April of 1998, when, within one month of California's opening its retail market, Enron announced it was withdrawing from the state's residential market. Over the past few years, in domino fashion, most suppliers, including online providers, have withdrawn from most residential markets.

There may be valid reasons why suppliers have withdrawn from residential markets: high customer acquisition and maintenance costs versus low profit margins, for one. But this poses a dilemma for utilities like cooperatives, that serve a high percentage of residential load and in largely rural areas.

The dilemma is that the costs for **all** utilities, regardless of size, to implement the systems necessary to accommodate a retail choice environment are staggering.

Hardware and software, billing, payment and collections, meter reading, data collection and processing, customer information management – these are some of the more significant changes that utilities have to make for retail choice to work. The legacy systems that utilities have operated with for years were sufficient for when distribution services were integrated, and one entity was responsible for providing power supply, power delivery, metering, billing, payment collection and processing. However, those legacy systems unfortunately are useless in an environment that contemplates multiple suppliers of power, with all of its attendant services, and possibly multiple suppliers of those other services as well. All of these systems have to be completely replaced prior to the opening of the retail electric market, and the costs associated with this replacement run into the tens of millions of dollars.

The issue of these very substantial transition and transaction costs, for both utilities and suppliers, raises some complicated problems that have not adequately been addressed. Suppliers may feel that their own marketing and transaction costs constrain them from going after anything but the largest customers in the most densely populated, media-saturated areas. If a distribution co-op has 25,000 members, and is located outside a major media market, suppliers may well conclude that there is insufficient "critical mass" for them, given the start-up costs involved, and they will refrain from entering that market.

In a nutshell, cooperatives are worried about over-building: spending the money to overhaul their legacy systems, only to find that a competitive retail market fails to develop in their service territory; or, worse yet, that if a supplier does come in, it is only interested in "cherry-picking" the few large customers the co-op may have. That would lead to the most unjust result: leaving the costs associated with the transition to be borne by those customers who either elect not to switch providers or, more likely, for whom there are no alternative choices.

NRECA urges the Commission to take a broader view of the cost questions associated with retail markets. At their core, these issues of cost, and cost allocation, require a more searching analysis in light of the meager benefits realized to date. This is not only an issue relating to competition, and how costs affect its development. There are also important consumer protection issues at stake.

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5. What are the benefits or drawbacks of the different approaches to handling the supplier of last resort obligation for customers who do not choose a new supplier (e.g., allow incumbent utility to retain the obligation to provide generation services to non-choosing customers, auction the obligation, or assign the obligation to non-utility parties). What has been consumer reaction to these approaches? Is provider of last resort service necessary?

To start with the last question first, provider of last resort (POLR) service is absolutely necessary, not only for customers who do not choose a new supplier, but also for customers who have no choice of supplier because no supplier is choosing to serve them (for example residential customers). Because electricity is an essential public service, the buck must stop somewhere; that is, there must be an entity that has the ultimate obligation to provide generation service to consumers at a reasonable rate.

In most states, the POLR service obligation remains with the incumbent utilities.

In these cases, utilities either retained sufficient generation and/or entered into long-term power supply contracts to serve their POLR customers.

In a couple of states, utilities were divested of their POLR load serving obligation, and instead became wires companies responsible only for ensuring that the power is delivered. For example, the state of Maine issues an RFP every year for bids to provide "standard offer" service to the customers of Maine's investor-owned utilities. In Pennsylvania, PECo, the utility serving the Philadelphia area, conducted an auction last fall for bids to serve approximately 20% of its non-switching load, or close to 300,000 customers. Those customers will begin receiving power supply from the winners of the bids in April.

Auctioning off blocks of utility customers to receive generation service from other, nonutility power suppliers, is not "competition." Rather, it is a fairly radical form of surgery -- regulatory "slamming," if you will -- designed to separate the utility's distribution service from its power supply function and to forcibly jump-start the retail "market." None of the customers who were forcibly switched to other suppliers by virtue of these auctions, actually chose to switch suppliers; rather, the suppliers were awarded a block of customers. It would be extremely misleading to count these customers as customers that have "switched" suppliers for the purpose of reporting state switching statistics.

In any event, a model that separates utility customers from their utility generation service is not compatible with the nature of electric co-operatives, which are owned and governed by the consumers they serve. As owners as well as consumers, the members of a cooperative have the right to continue to receive generation service from their cooperative. Most states that have addressed the issue of default service have recognized

this fact, and have specified that the obligation to provide POLR or default service for cooperative customers remains with the cooperative.

### **Retail Pricing Issues**

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#### **Market Structure Issues**

Rather than answer the specific questions under this heading, NRECA will comment more broadly on the current ability of the wholesale market to support a robust retail market. Retail markets do not appear to be capable of retaining significant numbers of retail suppliers even in states that are touted as "successes," largely because of volatility and high prices in wholesale markets. NRECA is concerned that the electric wholesale markets that have formed in the United States are not working as many had hoped – and that they need to be functioning before retail markets can operate effectively. The wholesale markets have suffered from many of the classic market failures discussed in first year economics.

First, reliable electric service exhibits many of the characteristics of a public good. The grid can be analogized to the "commons" used in Old England by villagers for the grazing of their sheep. Each villager understood that if too many sheep grazed on the commons, it would be overgrazed, and ultimately would support no sheep, to the detriment of all the villagers. Nonetheless, the individual profit incentive of each villager to try to graze one more sheep on the commons often won out, and the result was the so-called "Tragedy of the Commons" – the commons was overgrazed, and all villagers suffered as a result.

14

<sup>&</sup>lt;sup>9</sup> For example, Maryland, Michigan, Delaware.

The economics and the technology of the competitive wholesale electric industry in the United States are considerably more complex than those of the sheep industry in Old England. But the profit motivation of more and more of its participants will be exactly the same. Reliable service requires that there be sufficient capacity and reserves available to meet present demand and potential contingencies. It also requires the construction and maintenance of adequate transmission and distribution facilities.

Someone must remain responsible for building and maintaining that electric infrastructure. Otherwise everyone suffers equally from blackouts, brownouts or other degradation of electric service. In a competitive electric market, however, no one has the incentive to build and maintain the facilities needed by everyone for reliability. If anything, the profit incentive influences owners of essential facilities like generation to prefer scarcity to excess. Like the villagers, participants in the electric market have the incentive to overuse and inadequately maintain their commons, the electric infrastructure.

Second, successful markets require surplus capacity and easy entry. It is the competition from the existing surplus capacity, the actual entry by new participants, or the threat of quick entry, that drives prices down in a competitive market. Each market participant has to fear that someone will come in and take their customers if they raise prices above a competitive level. Unfortunately, entry into the electric markets is extremely slow and uncertain at every level:

- We do not have surplus capacity in many regions of the country today. The entire Western Interconnect is short on capacity today. New York's peak demand is very close to its actual available capacity this year. New England is expected to be in a shortage situation within the next two years.
- It is difficult for existing generation plants in one state or region to compete against existing plants in other states or regions because of serious transmission congestion and shortages in most regions of the country.

- Barriers to entry into the generation business include: a shortage of available turbines; a shortage of and high prices of natural gas, and interstate natural gas transportation capacity; a shortage of available transmission interconnections; air quality and other environmental burdens on new and existing generation; and perhaps most important, siting challenges (NIMBYs, BANANAs, NOPEs). It was, in fact, the presumption that the gas turbine had supplanted existing generation capacity that underlay the movement towards restructuring and the belief that existing generation investments would be stranded. The high price of gas, shortages of gas capacity in some regions, and difficulty securing gas turbines have raised questions about that foundational assumption.
- Entry into the generation market and the wholesale marketing business require high levels of financial and human capital. These are no longer the same businesses that they were a few years ago. They require extraordinary sophistication and expertise. They also require substantial capitalization to permit them to weather the risks and volatility of the markets. These are not the kinds of businesses that are easily entered.

Third, successful markets have to have low transaction costs and good exchange of information. The wholesale markets, however, have very high transaction costs and very poor information exchange. These problems continue notwithstanding the tremendous effort that the industry has invested in: complying with FERC Orders 888, 889, and 2000; developing model wholesale power contracts; and pursuing other initiatives aimed at simplifying, unifying, and opening electric markets. Every time some progress is made, new developments further complicate and hide the true costs of electric transactions. For example, try to explain locational marginal pricing or flow-gates to the average consumer or even the average sophisticated energy supplier. Those problems reduce entry into the market and increase prices.

NRECA is concerned that decision makers may support increasingly aggressive approaches to fixing retail markets that will increase costs to consumers without result, because they do not address the underlying problems with the **wholesale** market, such as public good issues, the difficulty of entry, and transaction costs. NRECA suggests that,

by inquiring into the details of individual restructuring plans in each state, the Commission (and the Congress) are putting the cart before the horse. The threshold question that must be addressed is whether the conditions are ripe in the wholesale market for retail restructuring to succeed in those states, regardless of the design of their individual programs.

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#### **Other Issues**

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1. How prevalent is the use of distributed resources (e.g., distributed generation) within the state? What barriers do customers face to implementing distributed resources?

The answer to the question depends to a great extent on how the term "distributed generation" (DG) is defined. If it is defined to include large combustion turbines or very small internal combustion generators (such as Honda generators available at Home Depot) that operate independently of the grid for back up purposes, distributed generation is quite prevalent. If the term refers to small wind generators and photovoltaics (PV), there are many facilities, but very little total generation capacity. Because of their costs, wind and PV today are mostly suitable for remote applications such as stock tanks and electric fences, or for customers that place a high value on generating their own green power. Other generation technologies, such as residential and commercial fuel cells and microturbines are in early stages of production. Because of their cost and their lack of maturity, very few of these technologies are present on the grid.

As suggested by the explanation above, there are two primary barriers to DG today: the cost of the technology and the infancy of the markets for DG. Except in areas

where grid power is extremely expensive, or in applications where reliability has a high value, most DG technologies simply do not make economic sense yet. That may be changing, but it is still the case today.

Nevertheless, the combination of decreasing costs; improvements in communications, control, and power quality equipment; and improvements in DG technologies, are causing state and local regulators and utilities to anticipate deeper market penetration of DG and to look at new applications for DG. As a result, utilities must now revisit interconnection contracts and standards that were drafted for PURPA qualifying facilities. Local regulators must evaluate what kind of safety requirements they will impose on new electric and gas hook-ups. State regulators and utilities must develop new tariff structures and business arrangements that optimize individual and system benefits from new DG applications. The transition process can be difficult for emerging technologies, whose costs are still high.

The industry's learning process is well on its way. The industry, through the Institute of Electrical and Electronics Engineers (IEEE), is developing technical interconnection standards. Many states have, or are in the process of developing, comprehensive rules governing the interconnection of DG. At least one major manufacturer of microturbines has succeeded in getting a UL listing for its product and others are looking at similar "type-testing" procedures.

Despite the positive developments, however, there are some important caveats.

Most importantly, the development, interconnection, and operation of DG raise significant and legitimate safety, reliability, and environmental concerns. While all of these can certainly be addressed, some fixes can be extremely expensive. For example,

environmental regulators have expressed concern that widespread operation of existing or

new standby diesel generators for economic or reliability purposes could have a serious

impact on air quality, and several states are moving forward with regulations that would

apply to such uses. Such regulations could require use of Selective Catalytic Reduction

(SCR) or other "tailpipe" controls on these units. Where it is even available, SCR is very

expensive and could be prohibitive.

NRECA and its members are actively involved in the industry's DG efforts. The

NRECA Cooperative Research Network has, for years, been working to develop, test,

and demonstrate new DG technologies. It has now entered into a memorandum of

understanding with the Department of Energy to develop a research partnership. Many

cooperatives have long encouraged the use of DG on their systems where it could provide

benefit to the consumers that install the DG and to their fellow member-owners on the

system. Several hundred cooperatives are working with various manufacturers of DG to

distribute their products. NRECA and its members have been participating in the IEEE

standards setting process, and have been developing model interconnection contracts and

applications to speed the interconnection process.

Respectfully submitted,

Pamela Silberstein

Senior Regulatory Counsel

Frank Silberstern

National Rural Electric Cooperative Association

19